

**MEMO# 13114**

February 2, 2001

## **EU COUNCIL MAY LIMIT DELEGATION OF FUNCTIONS BY UCITS FUNDS**

[13114] February 2, 2001 TO: INTERNATIONAL COMMITTEE No. 7-01 RE: EU COUNCIL MAY LIMIT DELEGATION OF FUNCTIONS BY UCITS FUNDS The Council of the European Union currently is debating a proposal to amend the UCITS Directive that would create a passport for management companies to operate throughout the EU. We understand that the Council's proposed text (which is not yet finalized) may limit severely the ability of a management company to delegate functions to other entities. Specifically, a management company may not delegate all or a major part of its functions that would result in the company becoming a "letter box entity." A potential concern is that this requirement could be interpreted as requiring a management company to carry out at least two of the three main activities of a management company - administration, investment management, and marketing - rather than allowing a company to delegate these activities to other entities. The Council's text also appears to apply the delegation restrictions to investment company UCITS funds (which do not require a separate management company) in addition to management companies of contractual-type UCITS funds to prevent avoidance of the delegation restrictions. The Council meeting to adopt the proposal is set for February 12. We have scheduled a conference call for Tuesday, February 6, 2001 at 12 p.m. EST to discuss the implications of this proposal. If you plan to participate in the conference call, please complete the attached sign- up form and fax it to Linda Stout at (202) 325-5841 by COB Monday, February 5, 2001. If you have any questions about the conference call or the proposal, please contact me at (202) 326- 5810 or at [jchoi@ici.org](mailto:jchoi@ici.org). Jennifer S. Choi  
Assistant Counsel Attachment Attachment (in .pdf format)